

UNIVERSITY OF SWAZILAND

FINAL EXAMINATION PAPER 2006

TITLE OF PAPER : INTRODUCTION TO ECONOMICS

COURSE CODE : ECON 101/IDE-ECON 101-1-2

TIME ALLOWED : THREE (3) HOURS

INSTRUCTIONS : 1. ANSWER FOUR QUESTIONS:

TWO QUESTIONS FROM SECTION A AND TWO QUESTIONS FROM SECTION B.

2. ALL QUESTIONS CARRY EQUAL MARKS OF 25 (TWENTY FIVE) EACH.

DO NOT OPEN THIS PAPER UNTIL THE INVILATOR HAS GRANTED PERMISSION.

SECTION A

Question 1

- a) Economics is sometimes called a 'science of choice'. Discuss (15 Marks)
- b) Using suitable examples, distinguish between positive and normative economics.

(10 Marks)

Question 2

- a) What do you understand by the term 'Law of diminishing returns'?
- (7 Marks)
- b) Using a suitable diagram, explain the three stages of production, and in your diagram indicate exactly where the law of diminishing returns starts to be operative.
- (18 Marks)

Question 3

- a) 'A monopolist can charge different prices to his different customers in different markets for the same products' Discuss (15 Marks)
- b) Briefly explain possible benefits of monopoly. (10 Marks)

Question 4

Write short explanatory notes on the following.

(5 Marks each)

- a) Price elasticity of demand
- b) Income elasticity of demand
- c) Cross elasticity of demand
- d) Point elasticity of demand
- e) Arc elasticity of demand

SECTION B

Question 5

- a) Distinguish between direct and indirect taxes. (7 Marks)
- b) What arguments would you advance in favour of the public sector in the Swazi economy. (18 Marks)

Question 6

- a) Write short explanatory notes on the following. (15 Marks)
- i) Transactionary money demand
 - ii) Precautionary money demand
 - iii) Speculative money demand
- b) Distinguish between fiscal and monetary policies. (10 Marks)

Question 7

Discuss major determinants of investment in Swaziland. (25 Marks)

Question 8

'The economy of Swaziland is dualistic in nature' Discuss (25 Marks)